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Internal Revenue Service

Department of the Treasury

District
Director

Person to Contact

Telephone Number

Refer Reply to:

Date:

OCT 19 1998

• Dear Sir or Madam:

We have completed our examination of your Form 990 for the period ended It has been determined that your tax exempt status should be revoked

The enclosed report of examination states the basis for the revocation. You have concurred with our determination and have signed an agreement to that effect on the attached Form 6018. Accordingly, your exemption from Federal Income tax under section 501(c)(2) of the Internal Revenue Code has been revoked effective

This is a final adverse determination of your exempt status under section 501(c)(2) of the Internal Revenue Code.

As a non-exempt organization, you are now required to file Form 1120, U.S. Corporate Income Tax Return. You have filed the required Form 1120 for the period ended the Internal Revenue Service, Service Center.

You should retain this report with your permanent records for future reference.

Thank you for your cooperation.

Sincerely,

Glenn E. Henderson

Glenn E. Henderson
District Director

Enc: Form 4621, Report of Examination
Form 886-A, Explanation of Items
Form 6018, Consent to Proposed Adverse Action

File Copy

EXPLANATION OF ITEMS

Schedule No.
or Exhibit

Name of Taxpayer

TIN

Year/Period Ended

ISSUE:

Is the _____ engaged in unrelated business income sufficient enough to revoke their tax exempt status under Internal Revenue Code Section 501(c)(2)?

FACTS:

This organization holds a _____ license issued to it from the State of _____. It employs _____s from various business, civic, and charitable organizations in _____. The gross earnings from the _____ activities are _____ of the organization's gross receipts. The _____, accounts for at least that amount of the organization's activities. This organizations parents are _____ who are exempt under 501(c)(8) as a fraternal lodge association. They are considered one parent under GCM 33604 and do not violate the one parent requirement of Internal Revenue Code Section 501(c)(2).

GOVERNMENT POSITION:

Title holding companies exempt under IRC 501(c)(2) are generally subsidiaries of their exempt parent and engage in no activities other than to hold title to property, collect income from that property, and turn it over to the parent. Treasury Regulation 1.501(c)(2)-1(a) states an organization exempt under Internal Revenue Code Section 501(c)(2) cannot be exempt under any section of IRC 501(a) if it engages in any business other than that of holding title and collecting income from the parent's property.

The _____ and sales licenses were issued to the _____ and not to the parent. _____ rented it's hall to the general public and included _____ well as labor in the price. This type of rental is not an exception to unrelated business income under Internal Revenue Code Section 512(b)(3). The rental income did not meet the incidental amount exception to unrelated business income described in IRC 512(b)(3)(A)(ii), as _____ sales alone were of the organization's gross receipts.

Form 886-A (Rev Jan. 1994)	EXPLANATION OF ITEMS	Schedule No. or Exhibit
Name of Taxpayer	TIN	Year/Period Ended

TAXPAYER POSITION:

The taxpayer felt that _____ was accomplishing the exempt function of its parent. The Officers of the Corporation relied upon Private Letter Ruling _____ which held that an exempt title holding company in similar circumstances retained its exemption under IRC 501(c)(2), when it had unrelated business income from _____ services.

CONCLUSION:

The Private Letter Ruling cited by _____ held that the title holding company retained its exempt status based upon the following

1. The _____ services were provided by the fraternal lodge members on a volunteer basis, which is an exception to unrelated business income under IRC 513(a)(1).
2. The fraternal lodge and title holding company filed a consolidated return.
3. The unrelated business income was determined to be an insubstantial part of the organization's activities.

This organization did not file a consolidated return with its parent. The _____ activities were determined to be a substantial part of the organization's activities. The labor was not provided by volunteers as it was in the Private Letter Ruling.

The Officers of _____ agreed to revocation of exempt status under Internal Revenue Code Section 501(c)(2) by signing the Form 6018 and providing completed Forms 1120 for calendar year _____